

BEFORE THE
SOUTH CAROLINA DEPARTMENT INSURANCE

In the Matter of:)	Docket No. 2014-01
)	
The Proposed Acquisition of South)	
Carolina Farm Bureau Insurance Company,)	Decision and Order
a South Carolina domestic insurer, by)	
Southern Farm Bureau Casualty Insurance)	
Company, a Mississippi domestic insurer)	
_____)	

This matter comes before me pursuant to the Form "A" Statement regarding the Acquisition of Control of or Merger with a domestic insurer ("the Form A") filed by the Southern Farm Bureau Casualty Insurance Company, a Mississippi domestic insurer ("the Applicant"), in accordance with South Carolina's Insurance Holding Company Regulatory Act. *See* S.C. Code Ann. § 38-21-70 and 25A S.C. Code Ann. Reg. 69-14. South Carolina law requires the approval of the Director of Insurance or his designee of any merger or acquisition of control of a South Carolina domestic insurer unless after a public hearing he finds that one of the conditions set forth in S.C. Code Ann. § 38-21-90 exists.

STATEMENT OF THE CASE

The Form A provided notice of the Applicant's intent to acquire control of South Carolina Farm Bureau Insurance Company, a South Carolina domestic insurer. The Applicant is a Mississippi domiciled property and casualty insurer that is also licensed in South Carolina. The Applicant intends to write property and casualty insurance for members of South Carolina Farm Bureau. The Applicant, Southern Farm Bureau Casualty Insurance Company, will pay a cash sum equal to the total equity value of South Carolina Farm Bureau Insurance Company as of the month end preceding the closing date of the purchase transaction plus \$100,000 dollars in consideration for the purchase of all issued and outstanding capital stock of South Carolina Farm Bureau Insurance Company. No business has been written in South Carolina Farm Bureau Insurance Company since its inception. The source of the cash funds to be used in paying the

purchase price will come from the unencumbered surplus of Southern Farm Bureau Casualty Insurance Company.

Upon consummation of the acquisition, South Carolina Farm Bureau Insurance Company will become a direct subsidiary of Southern Farm Bureau Casualty Insurance Company, the ultimate controlling person in the holding company system that includes several other "Farm Bureau" insurers.

STATUTORY STANDARD OF REVIEW

S.C. Code Ann. § 38-21-10(2) of the South Carolina Code of Laws creates a presumption of control whenever an acquiring entity would directly or indirectly own ten percent or more of the voting securities of a regulated entity. S.C. Code Ann. § 38-21-60 prohibits any person from acquiring control of a domestic insurer without first having filed information required pursuant to the Insurance Holding Company Regulatory Act and having obtained approval for that acquisition from the Director of Insurance or his designee under S.C. Code Ann. § 38-21-90.

S.C. Code Ann. § 38-21-90 specifically requires the approval of the proposed acquisition of control of a South Carolina domestic insurer unless the Director of Insurance or his designee determines, after a public hearing, that:

- (1) After the change of control the domestic insurer is not able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed.
- (2) The effect of the merger or other acquisition of control would substantially lessen competition in insurance in this State or tend to create a monopoly. In applying the competitive standard in this item:
 - (a) The information requirements and standards of Section 38-21-125(C) and (D) apply.
 - (b) The merger or other acquisition must not be approved if the Director or his designee finds that at least one of the situations in Section 38-21-125(D) exists.
 - (c) The Director or his designee may condition the approval of the merger or other acquisition on the removal of the basis of disapproval within a specified period of time.

- (3) The financial condition of the acquiring party might jeopardize the financial stability of the insurer or prejudice the interest of its policyholders.
- (4) The plans or proposals which the acquiring party has to liquidate the insurer, sell its assets, or consolidate or merge it with a person or to make another material change in its business or corporate structure or management are unfair and unreasonable to the insurer's policyholders and not in the public interest.
- (5) The competence, experience, and integrity of those persons who would control the operation of the insurer are such that it is not in the interest of policyholders of the insurer and of the public to permit the merger or other acquisition of control.
- (6) The acquisition is likely to be hazardous or prejudicial to the insurance-buying public.

Id.

Therefore, the Applicant must prove by a preponderance of the evidence that those factors do not exist.

FINDINGS OF FACT

Having considered the Form A, the Stock Purchase Agreement for the Sale of South Carolina Farm Bureau Insurance Company, the financial statements of the Applicant, and various other documents constituting the record in this matter, I find, by a preponderance of the evidence, the following as to the requested approval of the acquisition of South Carolina Farm Bureau Insurance Company:

1. The Form A application was filed with the Department on or about December 23, 2013. The application complies with the requirements of S.C. Code Ann. § 38-21-70.
2. South Carolina Farm Bureau Insurance Company is a South Carolina domestic insurer.
3. The Applicant is a Mississippi domiciled property and casualty insurer that is also licensed in South Carolina. Upon consummation of the stock purchase, South Carolina Farm Bureau Insurance Company will become a wholly owned subsidiary of the Applicant.

4. Pursuant to the stock purchase agreement, the separate corporate existence of South Carolina Farm Bureau Insurance Company will continue.

5. Based upon the materials submitted by the Applicant, none of the conditions provided for under S.C. Code Ann. § 38-21-90(A) exist or apply with respect to the proposed acquisition.

7. The Applicant represents that South Carolina Farm Bureau Insurance Company will continue to comply with all requirements for licensure.

8. The Applicant asserts in the Form A that it has no present plans to liquidate South Carolina Farm Bureau Insurance Company or to sell its assets to any person. The Form A also states that the Applicant does not have any plans to cause South Carolina Farm Bureau Insurance Company to merge or consolidate with, or to transfer any of its assets to, any other company.

9. The directors of South Carolina Farm Bureau Insurance Company will be Ronald Anderson, Randy Veach, Randy Knight, David Winkles, Jr., John Hoblick and Don Shawcroft. All are current directors of the Applicant. The officers of South Carolina Farm Bureau Insurance Company will hold the same office/title with the South Carolina Farm Bureau Insurance Company as they currently hold with the Applicant, Southern Farm Bureau Casualty Insurance Company and are as follows: Robert D. Wallace, President; William Courtney, Jr., Senior Vice President - State Manager for South Carolina, Steve W. Ingram, Senior Vice President-Legal and Secretary, Dennis Griffin, Senior Vice President-Chief Financial Officer, Judy Blackburn, Senior Vice President-Treasurer, Russell McCullough, Senior Vice President-Actuary, Geoff Mercer, Senior Vice President-Technology. The biographical affidavits provided for the executive officers and directors of the Applicant and of South Carolina Farm Bureau Insurance Company were included in the Form A. That information indicates that the Applicant's proposed management team has management experience and further indicates that those individuals do not have a history of criminal convictions.

10. The Applicant is financially sound. The acquisition will not reduce the security of, or the service to be rendered to, any potential policyholders of South Carolina Farm Bureau Insurance Company, nor will the financial condition of the Applicant jeopardize the financial stability of South Carolina Farm Bureau Insurance Company or prejudice the interests of its potential policyholders. The Applicant has no plans to declare any extraordinary dividends for South Carolina Farm Bureau Insurance Company.

CONCLUSIONS OF LAW

I have considered the statutory requirements for approval of a change of control in accordance with the applicable provisions of the South Carolina Code and make the following conclusions of law:

1. I have jurisdiction over the parties and the subject matter pursuant to the provisions of S.C. Code Ann. §§ 38-21-60, 38-21-70, S.C. Code Ann. Reg. 69-31 and other pertinent provisions of the South Carolina Insurance Code.

2. A hearing is not required.

3. Upon completion of the proposed acquisition, South Carolina Farm Bureau Insurance Company will continue to be able to satisfy the requirements for the issuance of a license as required by § 38-21-90 (A)(1).

4. This transaction will not substantially lessen competition or create a monopoly, which is prohibited by § 38-21-90 (A) (2).

5. The Applicant's financial condition will not jeopardize the financial stability of South Carolina Farm Bureau Insurance Company or prejudice the interest of its policyholders, pursuant to the provisions of § 38-21-90 (A)(3).

6. The transaction is neither unreasonable for potential policyholders nor contrary to the public interest, pursuant to the provisions of § 38-21-90(A) (4).

7. The Form A indicates that the Applicant will bring some experience and expertise to the transaction. It also appears that the conditions of § 38-21-90(A)(5) will not occur

because the experience and integrity of the persons who would control the operation of South Carolina Farm Bureau Insurance Company are such that it would be in the interest of the future policyholders of South Carolina Farm Bureau Insurance Company and the public to permit the acquisition.

8. The proposed acquisition is not likely to be hazardous to those buying insurance as prohibited by § 38-21-90(A) (6).


CONCLUSION

In view of the foregoing findings of fact and conclusions of law, the criteria established under S.C. Code Ann. § 38-21-90 (2002) for approval of an acquisition of control or merger of a domestic insurer have been met. Accordingly, it is ordered that the Form A application to acquire direct control of South Carolina Farm Bureau Insurance Company is APPROVED subject to the following conditions. The Applicant must:

1. Secure all other required regulatory approvals; and
2. Comply with all applicable provisions of South Carolina law to maintain the domestic licensure of South Carolina Farm Bureau Insurance Company.

All documents submitted in the Application and in response to requests of the Department which have been marked "Trade Secret: Confidential and Exempt" shall be provided confidential treatment pursuant to S.C. Code Ann. §§ 38-21-290 and 30-4-40.

IT IS SO ORDERED.


Raymond G. Farmer
Director of Insurance

Columbia, South Carolina

February 27, 2014